Summary of SEPA IWG "Bucket 3" Subgroup on
Leveraging SEPA for "Climate Friendly" Development

This subgroup of the IWG focused on ways in which SEPA may be used to encourage projects and plans that result in "climate friendly" development (e.g., high density housing close to transit). A matrix of potential ideas is attached separately and is summarized below. The ideas are intended to be considered by the CAT. Some concepts would require law or rule changes, and some would require funding, but other could, but some could be implemented independently be SEPA agencies.

Expanded Exemptions

Exemptions are a powerful tool for encouraging climate friendly development. They reduce project risk and costs associated with both litigation and preparing SEPA documents. When carefully drafted, they can help achieve the objectives of local government, environmental interest groups, and developers. Potential exemptions include:

- Amend the SEPA statute to authorize jurisdictions to provide a "neighborhood district-level exemption." This would be for municipally designated areas within UGA's, where property owners agree to comply with statutorily set minimum sustainable development standards. The standards would require compact, connected, walkable neighborhoods, with good jobs ratios, open space, a wide variety of uses, and transit supportive residential densities; and high performance buildings and infrastructure. To fully leverage the exemption, it would apply to both the government's "neighborhood designation" decision and implementing development projects.
- Amend the SEPA statute to expand the infill exemption at RCW 43.21C.229 to define mixed use and reduce local EIS requirements, for climate friendly development.
- Amend the SEPA regulations and/or provide guidance on using the thresholds for minor new construction more advantageously to encourage climate friendly development.

Upfront SEPA

Considering climate change as part of SEPA review at the planning level presents an opportunity to better implement adopted climate change mitigation, promote compact development in areas designated by cities, and reduce vehicle miles traveled (VMTs). These measures would require initial financing/loan to assist participating cities with the upfront cost of Subarea SEPA review; this cost would be reimbursed over time by developers. These measures could require amendments of SEPA provisions and rules. If adopted measures would likely accelerate developer investment in areas designated for concentrated growth and would assure compliance with all designated climate change standards in these areas.

Examples of Upfront SEPA would include:

- Allow cities to elect to designate a subarea for more compact commercial, residential, mixed use or industrial development ("Subarea"). If the city: 1) designates the Subarea; 2) conducts thorough SEPA review of the Subarea which is a maximum build-out

analysis that identifies mitigation steps to address significant environmental impacts (including climate change impacts); and 3) adopts as new Subarea development regulations that incorporate and require the climate change mitigation and any other mitigation identified in the Subarea SEPA review that is not already addressed in development regulations, then all subsequent development in the Subarea would be required to implement the climate change measures and would be exempt from any project-level SEPA or SEPA appeals. Developers would be required to pay their proportionate share of the Subarea SEPA review.
- Establish new category of Climate Change Essential Public Facilities
- Improve 43.21C.240 about planned actions and GMA/SEPA integration – clarify reliance at planning to reduce project level SEPA; make more attractive and user-friendly

Mitigation

These are mitigation measures or programs for GHG emission mitigation, which if included in a project proposal, would provide certainty that greenhouse gases (GHG) impacts are fully or partially exempted from further GHG reduction requirements. Specific mitigation measures and programs would be included on a "Green List" and assigned a mitigation value. Potential Climate-SEPA mitigation measures or programs include:

- <u>Project alternatives in design and/or construction</u>: These include voluntary alternatives such as LEED/Green Globe certification and strategies; construction-transportation techniques; use of recycled materials, waste reduction, local materials; urban in-fill, Brownfield development; and use of VMT-limiting elements such as high transit use and work-live space.
- <u>Program participation measures or fees</u>: These include voluntary participation in banks for GHG sinks, wetlands, and Ag/Forest water-banking; participation in TDR programs promoting in-filling, participation in programs targeting development, banking, and conservation; participation in transportation impact fee programs to fund transit-bike infrastructure/services.
- <u>Future vulnerabilities/adaption measures:</u> These include guidance on assessing future vulnerabilities, voluntary or mandatory consideration of alternatives, or voluntary or mandatory use of design/construction techniques to avoid future vulnerabilities. These measures could also be used without exempting actions from SEPA.

Disincentives

Disincentives are potential "sticks" to discourage actions that generate large or avoidable quantities of greenhouse gases (GHG) or that would result in the loss of carbon sinks. They would apply to agency decisions on their own actions and to state and local decisions on permits. Potential disincentives include:

- Amending the SEPA regulations to repeal or reduce categorical exemptions or to only apply them within certain locations, or to jurisdictions with a plan to reduce GHG emissions consistent with the GHG limits in RCW 70.235.020(1)(a).

- Require a more exacting level of analysis, a wider range of alternatives, or more analysis of potential mitigation measures for actions that generate significant qualities of GHGs.
- Require mitigation for actions that would generate certain levels of GHGs.
- Require that actions that would generate certain levels of GHG emissions go to the back of the decision making line and allow actions that would generate fewer emissions to "cut in front" of this actions.

Regional Planning

These approaches would perform some GHG emission environmental analysis or planning at a regional level. They would not require law or rule changes. They would save agency time and money during non-project and project SEPA review. The approaches would increase appropriate analysis, as well as provide consistency and predictability. Examples include:

- Develop and adopt a regional or statewide Climate Change Plan that would identify the broad direction of the state and can be considered and used as a reference point for local planning.
- Prepare general state-wide EISs (or regional environmental study) on GHG emissions, impacts, and mitigation that can be adopted into local plan-level EISs (could be part of the Climate Change Plan or something else).
- Translate state GHG requirements into regional targets and significance thresholds to help with analyzing projects and determining significance/mitigation for each region (works with a TD that incorporates the state GHG requirement)

Funding

The advance analysis in the "Upfront SEPA" and "Regional Analysis" categories represent potential overall savings when compared with performing SEPA at the project level. However, funding methods are needed to incentivize the advance review and to allow for sharing of the costs by those who benefit from the advance review. Potential funding concepts include:

- Funding should be provided to the Planning Environmental Review Fund (PERF), to help perform more detailed SEPA analysis on comp plans or subarea plans.
- Other funding mechanisms for upfront SEPA such as use of late-comer fees, use of any future carbon tax, or revolving fund loans for local planning instead of grants.
- Establish GHG controls and non-Carbon energy as public purpose to allow public funding-lending of credit